

Mudra Yojana - A Mechanism for Funding the Rural People

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Abstract

As People think that higher employment is being provided by the corporate houses and big industries. Where as only 12.5 million people are employed by big corporate houses, against 120 million by the MSME sector. While large corporate and business entities have a role to play by informal sector enterprises which generate maximum employment. There are around 5.77 crore small business units, mostly individual proprietorship, which run small manufacturing, trading or service businesses. Among 62 per cent of these are owned by SC/ST/OBC. And to create a Micro Units Development Refinance Agency (MUDRA) Bank, with a corpus of `20,000 crore, and credit guarantee corpus of `3,000 crore. MUDRA Bank will refinance Micro-Finance Institutions through a Pradhan Mantri Mudra Yojana(PMMY). This paper is to know about the MUDRA Yojana and its key objectives. The paper highlights the importance and the role of MUDRA bank towards the small business units.

Keywords: MUDRA,PMMY,MSME,MICRO FINANCE

I. Introduction

By The Startup of MUDRA and Pradhan Mantri Mudra Yojana (PMMY) by the Honorable Prime Minister on April 08, 2015. MUDRA and the PMMY helps crores of micro entrepreneurs for accessing credit from the financial system formally. One of the major limitation of the micro enterprise units is inadequate credit access for the people. The MUDRA scheme aims to overcome this difficulty with a major contribution by extending credit of `1.33 lakh crore to nearly 3.48 crore borrowers during 2015–16 by PMMY. The programme also helped in extending financial support to the weaker sections of the society, viz., SC/ST/OBC/women entrepreneurs, in large numbers. MUDRA also started the refinancing to different financial institutions with nearly 3300 crore to extend the funding support to the weaker sections.

Vision for MUDRA is to create best global practices and standards for the economic and social development with the financial support in india and considering the Mission is to create an sustainable and value based entrepreneurial culture in achieving the financial security and the success of the economy with the inclusion of our partner institutions. And the purpose of MUDRA is to funding the non-corporate small business sector with a hope that the currency/capital would become the key success of small enterprises in the economy.

II. Objective Of The Study

- To know about the MUDRA LOAN scheme.
- To study the PMMY scheme.
- To know the benefits available for small business units

III. Methodology

The data and information for the study is gathered from secondary sources like different articles, books, and various websites including website of MUDRA Yojana.

MUDRA - Aim and Purpose

Micro-Units Development and Refinance Agency (MUDRA) loan is one of the major scheme issued by The Government of India to promote Micro, Small and Medium Enterprises (MSMEs) throughout the country. Mudra Loan Scheme, under Pradhan Mantri Mudra Yojana (PMMY) is an initiative taken by The Government of India which offers loan schmes under three main categorises named as Shishu, Kishor, and Tarun based on the funding requirements and the amount of loan for which business owners are eligible. The three main categories of Mudra loans are briefly discussed here:

- **Shishu Category:** Under the first category of the Mudra loan that is suited for micro units or small business owners, As they can apply for a loan up to Rs. 50,000 under this loan scheme.This category of loans is owners are targeted with a need of small capital for initial small start-ups. The borrowers must present their business ideas when applying for the loan for getting approval on their loan application.

- **Kishor Category:** This category is targeted at small businesses which are already started their business and want to establish as a independent enterprise. This loan is offered from Rs. 50,000 to Rs. 5 lakh under the scheme. The motto behind this scheme is it helps in strengthen the foundation of many businesses. The borrower have to fill the application form and must present the relevant documents to verify the current position of their enterprise.
- **Tarun Category:** All small businesses that have been already set up and established but with a need of capital for expansion can apply under the Tarun category. The business owners are eligible for a loan of up to Rs. 10 lakh. This type of loan offers the owners to the maximum loan amount that a sole proprietor or a micro enterprise can apply.

Mudra Offerings

- **Land Transport Sector / Activity** - Which will support units for the purchase of transport vehicles for carrying goods and for personal transport such as auto rickshaw, small goods transport vehicle, 3 wheelers, passenger cars, taxis, etc.
- **Community, Social & Personal Service Activities** – It provides assistance for new start-ups such as , boutiques, tailoring shops, Medicine Shops, dry cleaning, cycle and motorcycle repair shop, saloons, beauty parlours, gymnasium, Courier Agents , DTP and Photocopying Facilities, etc.
- **Food Products Sector** - It Supports for undertaking activities such as achaar making, papad making, , sweet shops, small service food stalls and day to day catering / canteen services, cold chain vehicles, cold storages, jam / jelly making, ice cream making units, making of buns, biscuits, cakes and also for the agricultural produce preservation at rural level,, etc.
- **Textile Products Sector / Activity** - To provide support for undertaking activities such as handloom, powerloom, zari and zardozi work, chikan work, traditional dyeing and printing, traditional embroidery and hand work, apparel design, cotton ginning, knitting , computerized embroidery, stitching and other textile non garment products such as bags, furnishing accessories, vehicle accessories, etc.

Benefits and features of mudra loan

No minimum loan amount is prescribed under Mudra scheme, No need of any mortgage for the parties who are intend to take the loan, will not charge any processing charges, All non-farm enterprises, i.e. small or micro firms engaged for the income generation can apply for the loan since the loan facility is for any type of fund or non-fund based needs as it is under the Pradhan Mantri Mudra Yojana (PMMY) .

ELIGIBILITY

- The applicant must attain the age of 18 years and maximum upto 65 years.
- Applicant cannot be a defaulter in any bank.
- MUDRA loan is given to Business owners, Shopkeepers, Small Industrialists and Manufacturers.
- MUDRA loan will be only given for generating income
- MUDRA loan is available for Individuals involved with Agricultural activities

Loan providing institutions

- Public Sector Banks
- Private Sector Banks
- Regional Rural Banks (RRBs)
- Small Finance Banks (SFBs)
- Micro Finance Institutions (MFIs)

Mudra card

MUDRA CARD is named as the new instrument for working capital requirement. It is a debit card that is issued to the loan applicants who wish to apply for mudra loan. When a loan applicant applies for this loan and if it gets approved, the bank or the lender opens a Mudra loan account and issues the card to them. It is a RuPay Debit card, operable on all ATMs and PoS machines where RuPay is operative. AS Mudra card is a flexible credit product which meets the needs of micro and small entrepreneurs as cash can be withdrawn from any ATM or by using PoS machine to decrease the intrest burden.. This process also helps in keeping a credit history for the borrower who has applied for this scheme .

IV. Conclusion:

With the startup of MUDRA Bank by Government of India, It should function effectively further more to fulfill the financial needs and to safeguard the functioning of micro units. Awareness campaigns among entrepreneurs have to be created for making them aware about the basic information or data facts on loans in

rural areas. Banks can conduct meetings, fairs, workshops and seminars at least once in six months in the places of industries so that it will be more useful to the new as well as existing enterprises to popularize their loans among MSEs. MUDRA is a catalyst to boost the Entrepreneurs for self reliance. The setting up of MUDRA and the Pradhan Mantri Mudra Yojana (PMMY) had been helpful to fill the credit gaps in small, micro and enterprises in the economy. The PMMY was setup with the objective of fulfilling loan requirements up to `10 lakh to start or expand their business activities. In a lesser course of time the PMMY has created the importance of both banks and small, micro, and tiny enterprises. This initiative has been taken to focus exclusively on entrepreneurs. MUDRA as a financial tool is found effective in its earlier stages across the country. This will surely make a change and will help in making a developed India.

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